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Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 MMO-04 ABF-01 /025 W
---------- 033636
R 211722Z APR 76
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 0954
INFO USDOC WASHDC

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E.O. 11652: N/A
TAGS: BEXP, UK
SUBJECT: COMMERCIAL COUNTRY PROGRAM FOR U.K.: DRAFT INPUT FOR FY 1978

REF: STATE 54879

L. AS REQUESTED REFTEL, LISTED BELOW ARE EMBASSY RE-COMMENDATION FOR FY 1978 CAMPAIGN AND NON-CAMPAIGN INITIATIVE ACTIVITIES.

2. CCP CAMPAIGNS IN PRIORITY ORDER:
REGULAR CAMPAIGNS:
1) OFFSHORE OIL & GAS
CONSOLIDATE AND MAINTAIN PREDOMINANT U.S. SHARE IN OFF-SHORE DRILLING AND PRODUCTION SECTOR, WITH PARTICULAR EMPHASIS ON LICENSING ARRANGEMENTS AND JOINT VENTURES.
JUSTIFICATION: HMG IS EXPECTED TO RELEASE NEW AREAS FOR EXPLORATION IN THE NORTH SEA WHICH SHOULD GIVE FURTHER OPPORTUNITIES FOR U.S. SUPPLIERS OF DRILLING EQUIPMENT IN FY 78. MANY U.K. FIRMS, FACED WITH OVER-CAPACITY IN TRADITIONAL INDUSTRIAL SUPPLY SECTORS, ARE LOOKING FOR NEW LINES EMBODYING NEW TECHNOLOGY. CCP WILL FOCUS ON THIS MAJOR OPPORTUNITY FOR U.S. TECHNOLOGICAL PENETRATION OF THE U.K. MARKET IN THE FORM OF JOINT VENTURE AND LICENSING OPPORTUNITIES.
2) METALWORKING & FINISHING
TAKE ADVANTAGE OF EXPECTED UPSURGE IN U.K. INDUSTRIAL PRODUCTION TO STRENGTHEN SUBSTANTIAL PENETRATION OF U.S.
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METALWORKING AND FINISHING EQUIPMENT IN U.K. MARKET.

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JUSTIFICATION: U.K. MARKET FOR METALWORKING AND FINISHING EQUIPMENT SHOWS ENCOURAQINQ SIONSOF RECOVERY IN 1976 WHICH AUGUR WELL FOR U.S. EXPORTERS, NOW BRITAIN'S NUMBER TWO SUPPLIER OF SUCH PRODUCTS. WE SHOULD AVOID COMPETING IN MORE CONVENTIONAL SECTORS, WHERE U.K. IS STRONG PRODUCER AND EXPORTER, AND CONCENTRATE ON HIGHER TECHNOLOGY ITEMS. PRODUCTIVITY IS ISSUE IN U.K. TODAY, AND NUMERICAL CONTROL METHODS SEEM TO BE A KEY TO PRODUCTIVITY INCREASES. ATTENTION SHOULD BE PAID TO WELDING MACHINES (PARTICULARLY OFFSHORE OIL APPLICATIONS) AND MACHINES FOR THE FOUNDRY INDUSTRY, WHERE SUBSTANTIAL PROGRAM OF MODERNIZATION SHOULD BE IN FULL SWING BY 1978.

3) CONSUMER GOODS

EXPAND U.S. SHARE OF U.K. CONSUMER GOODS IMPORT MARKET TO THE LEVEL INDICATED BY PRICE AND QUALITY COMPETITIVENESS OF U.S. PRODUCTS.

JUSTIFICATION: U.S. CONSUMER GOODS HAVE PROVEN PRICE COMPETITIVE IN U.K. DESIGN AND QUALITY USUALLY SUPERIOR TO ITEMS FROM COMPETING COUNTRIES. 1978 PERIOD IS ONE IN WHICH MOST FORECASTERS SEE U.K. WELL INTO ITS RECOVERY PERIOD. U.S. CONSUMER GOODS PRODUCERS SHOULD HAVE SIGNIFICANT OPPORTUNITIES FOR MAJOR INCREASES IN SALES, UNLESS DECLINING VALUE OF POUND IN RELATION DOLLAR IMPAIRS OUR COMPETITIVE POSITION.

4) COMPUTERS & PERIPHERALS: MINIS & MICROS

PRESERVATION OF U.S. MARKET SHARE OF THE COMPUTER AND PERIPHERALS MARKET, WITH SPECIAL EFFORT IN THE MINICOMPUTER AND MICRO-PROCESSOR SECTORS.

JUSTIFICATION: U.S. MANUFACTURERS DOMINATE U.K. COMPUTER AND PERIPHERALS MARKET. WITH ENTRY OF U.K. AND EUROPEAN MANUFACTURERS INTO THE MINI-COMPUTER AND MICRO-PROCESSING MARKETS, THIS CAMPAIGN WILL FOCUS ON MAINTAINING AND STRENGTHENING THE U.S. MARKET SHARE. TOTAL ANNUAL SALES OF COMPUTERS AND PERIPHERALS SHOULD TOP 1 BILLION DOLLARS BY 1978.

5) AIR/WATER TREATMENT, INSTRUMENTS & EQUIPMENT

INCREASE U.S. SHARE OF IMPORT MARKET FOR AIR/WATER TREATMENT INSTRUMENTS AND EQUIPMENT.

JUSTIFICATION: PUBLIC-SECTOR AND INDUSTRIAL INSTALLATION OF ANTI-POLLUTION EQUIPMENT HAS BEEN POSTPONED AS UNCLASSIFIED

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RESULT MAJOR REORGANIZATION OF LOCAL AUTHORITIES AND NATIONAL UTILITIES AUTHORITIES. AS WELL AS DECREASED INVESTMENT DUE TO ECONOMIC RECESSION. INCREASED REVENUES AND EXTERNAL FINANCING HAVE GIVEN NATIONAL WATER AUTHORITY MEANS TO MEET CHALLENGE OF POPULATION EXODUS FROM VIRTUALLY EVERY MAJOR CITY, AND SUCCESS IN A LIMITED NUMBER OF RIVER CLEAN-UPS HAS BROUGHT PRESSURE FOR ADDITIONAL PROJECTS. AS ECONOMIC UPTURN OCCURS, EEC AND

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INFO USDOC WASHDC

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NATIONAL ATTENTION WILL BE TURNED TO MEASURES FOR PRO-
TECTING COUNTRY'S ATMOSPHERE AND WATER SUPPLY.
6) AUTOMATED & LABOR-SAVING AGRICULTURAL EQUIPMENT
INCREASE THE U.S. SHARE OF U.K. IMPORT MARKET FOR AUTO-
MATED AND LABOR-SAVING AGRICULTURAL EQUIPMENT.
JUSTIFICATION: BRITAIN'S DECISION TO STAY IN COMMON
MARKET, COUPLED WITH LABOR'S FARM AND LAND POLICIES,
WILL COMPEL SERIOUS READJUSTMENT OF PRESENT FARMING
PRACTICES. AGRICULTURAL LABOR IS DISAPPEARING, AND
OWNERS ARE UNABLE DISPOSE OF LAND DUE TRANSFER TAXES,
CREATING NEED FOR LABOR-SAVING EQUIPMENT IF EXISTING
FARMS TO REMAIN ECONOMIC. INCREASING FEED COSTS AND
A RISING BEEF-CATTLE POPULATION WILL ENCOURAGE INCREASED
DOMESTIC FEED PRODUCTION, AND NEW EMPHASIS ON CORN AND
OTHER NEW CROPS, WITH RESULTANT DEMANDS FOR SPECIAL
HARVESTING, DRYING AND STORAGE EQUIPMENT. WITH FARMERS
STILL UNCERTAIN AS TO FUTURE INCOME (DUE U.K. GOVERNMENT
PRICE CONTROLS). STRESS WILL BE ON EQUIPMENT THAT CAN
BE RUN OFF EXISTING TRACTORS AND OTHER POWER SUPPLIES.
7) SPECIALTY CHEMICALS
EXPAND THE U.S. SHARE OF THE BRITISH MARKET FOR SPECIALTY
CHEMICALS, INTRODUCE NEW PRODUCTS, AND TAKE FULL ADVAN-
TAGE OF THE EXPECTED GROWTH OF THE U.K. CHEMICAL SECTOR
WHERE PROJECTED AND ACTUAL INVESTMENT RATES ARE HIGH.
JUSTIFICATION: DEMAND IN U.K. MARKET IN 1975 WEAKENED

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AND DOMESTIC PRODUCTION COSTS ROSE RADICALLY. SIGNS OF
RECOVERY IN 1976 ARE CLEAR, AND CHEMICALS, WITH RELA-
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TIVELY HIGH INVESTMENT IN CAPITAL EQUIPMENT SCHEDULED,
WILL BE ONE OF THE STRONGEST SECTORS FOR SPECIALIZED
CHEMICAL IMPORTS. U.S. PRODUCERS OF SPECIALTY CHEMICALS
AND NEW FORMULA CHEMICAL SUBSTANCES EXPECTED TO HAVE
GOOD OPPORTUNITIES IN 1978 AND BEYOND.
8) AVIATION & AVIONICS
STRENGTHEN U.S. MARKET SHARE OF THE AVIATION AND
AVIONICS MARKETS WITH SPECIAL EMPHASIS ON AVIONICS
EQUIPMENT.
JUSTIFICATION: THE U.K. IS THIRD LARGEST PURCHASER OF
U.S. AVIATION AND AVIONICS EQUIPMENT. WITH THE ENTRY
OF U.K. INTO EEC AND INCREASING POSSIBILITY OF JOINT
EEC AVIATION PROJECTS, THERE WILL BE A GREATER NEED
TO CONCENTRATE ON MAINTAINING AND IMPROVING THE U.S.
POSITION IN THE AVIATION AND AVIONICS MARKETS.
9) ELECTRONIC COMPONENTS
EXPAND AND STRENGTHEN U.S. POSITION IN THE ELECTRONIC
COMPONENTS MARKET.
JUSTIFICATION: U.S. IS IMPORTANT EXPORTER OF ELECTRONIC
COMPONENTS TO THE U.K. AND IS EXPECTED TO REMAIN SO OVER
THE NEXT FEW YEARS. WE WILL CONTINUE OUR EFFORTS TO
KEEP BRITISH MANUFACTURERS AWARE OF THE OPPORTUNITIES
AVAILABLE TO THEM FROM U.S. ELECTRONIC COMPONENT MANU-
FACTURERS.
10) DATA COMMUNICATIONS
FOCUS ON PROMOTING INCREASED U.S. PARTICIPATION IN THE
DATA COMMUNICATIONS MARKET, WITH EMPHASIS ON "BLACK BOX"
PACKET-SWITCHING AND INTERNATIONAL TRANSMISSION BY
SATELLITE EQUIPMENT.
JUSTIFICATION: ALTHOUGH IT DIFFICULT PREDICT DIRECTION
OF BRITISH TECHNOLOGY APPLICATION IN FUTURE BECA-SUSE OF
BRITISH POST OFFICE MONOPOLY CONTROL OVER DATA COMM-
UNICATION EQUIPMENT MARKET, IT APPEARS THAT PRODUCERS
ARE MOVING TOWARD DEVELOPMENT OF "BLACK BOX" PACKET-
SWITCHING AND INTERNATIONAL TRANSMISSION BY SATELLITE.
THIS CAMPAIGN WILL ATTEMPT TO INTRODUCE U.S. MANU-
FACTURERS OF SUCH EQUIPMENT TO THE U.K. MARKET.
11) ENERGY-SAVING SYSTEMS & MATERIALS
TAKE ADVANTAGE OF RENEWED INTEREST IN ENERGY SAVING
TO EXPAND AND DEVELOP THE U.S. SHARE OF MARKET FOR
ENERGY-SAVING EQUIPMENT AND ALSO KNOWLEDGE OF U.S.
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TECHNOLOGY IN THIS RELATIVELY UNTAPPED SECTOR.
JUSTIFICATION: SOARING COST OF ELECTRICITY, PLUS
RADICAL INCREASES IN PRODUCTION COSTS, HAVE CREATED
SUDDEN INTEREST IN THIS SECTOR. THIS WILL BE EN-
COURAGED BY DOMESTIC AND INTERNATIONAL PROGRAMS
DESIGNED ENCOURAGE ENERGY CONSERVATION. AS INDUSTRIAL
SECTOR USES ALMOST HALF OF TOTAL PRIMARY ENERGY IN
BRITAIN - WITH LARGEST AREAS IN IRON AND STEEL, NON-
FERROUS METAL, CHEMICAL, CEMENT AND PACKAGING INDUSTRIES
- CAMPAIGN WILL DIRECT ITSELF PRIMARILY TOWARDS THOSE
SECTORS.
RESEARCH PHASE CAMPAIGNS
1) BUILDING CONSTRUCTION EQUIPMENT
CAPITALIZE ON HOPED-FOR UPSURGE IN THE CONSTRUCTION
SECTOR TO INTRODUCE INNOVATIVE U.S. EQUIPMENT ACROSS A
WIDE SPECTRUM.

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JUSTIFICATION: U.K. CONSTRUCTION INDUSTRY REMAINS HARD
HIT BY DEEP RECESSION. THERE SOME EVIDENCE THAT
BEGINNING OF ECONOMIC UPSWING MAY HERALD A TURN IN THE
FORTUNES OF INDUSTRY. BY 1978, WE FORESEE AN INCREASE
IN ACTIVITY WHICH SHOULD IN THE MEANTIME BE CLOSELY
MONITORED.
2) AQUACULTURE
PROBE U.K. MARKET FOR AQUACULTURE EQUIPMENT AND MATERIAL

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JUSTIFICATION: MOVE TO 200-MILE LIMITS AND CONSEQUENT REDISTRIBUTION OF OCEANIC FISHERIES HAS CAUGHT U.K. BETWEEN NEW DEPENDENCE UPON CONTROLLED, "DOMESTIC" WATERS AND THE PRESSURES FOR SHARING HER LIMITED "DOMESTIC" SUPPLIES WITH EEC PARTNERS. THE EROSION OF TRADITIONAL SUPPLIES WILL FORCE THE U.K. CONSUMER TO CONSIDER NEW SPECIES, INCLUDING TYPES THAT CAN BE RAISED IN COASTAL AND FRESH-WATER FISH FARMS AND CRUSTACEAN BEDS. U.S. EXPERIENCE IN AQUACULTURE EXTENSIVE, AND U.S. LEGISLATION IS SEEN AS MODEL FOR GROWING U.K. INDUSTRY.

3) HEALTH CARE INDUSTRIES

RECENT INTEREST IN THE HEALTH CARE INDUSTRY HAS SUGGESTED THAT CAMPAIGN IN THIS AREA MIGHT BE POSSIBLE. JUSTIFICATION: DESPITE CURRENT UNREST IN NATIONAL HEALTH SERVICE THERE IS STILL STRONG DEMAND FOR HEALTH CARE EQUIPMENT AS IS EVIDENCED BY THE LARGE NUMBER OF INQUIRIES PUT THROUGH TOP PROGRAM.

NON-CAMPAIGN INITIATIVES

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4 U.S./U.K. BUSINESS DAYS EVENTS OUTSIDE OF LONDON

3. PERSONNEL & FINANCIAL RESOURCE

PERSONNEL RESOURCE SUMMARY (MAN DAYS)

PROFESSIONAL				CLERICAL			
CAMPAIGN		NON-CAMPAIGN		CAMPAIGN		NON-CAMPAIGN	
FSO	FSL/P	FSO	FSL/P	FSO	FSL/P	FSO	FSL/P
512	460	798	820	N/A	335	N/A	1765

FINANCIAL SUMMARY

CAMPAIGN			NON-CAMPAIGN			
TRAVEL	REP.CONTRACT	& OTHER	TRAVEL	REP.CONTRACT	& OTHER	
6225	3220	450	1105	1000	-	-	7800

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Decaption Note:
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Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
Executive Order: N/A
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From: LONDON
Handling Restrictions: n/a
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